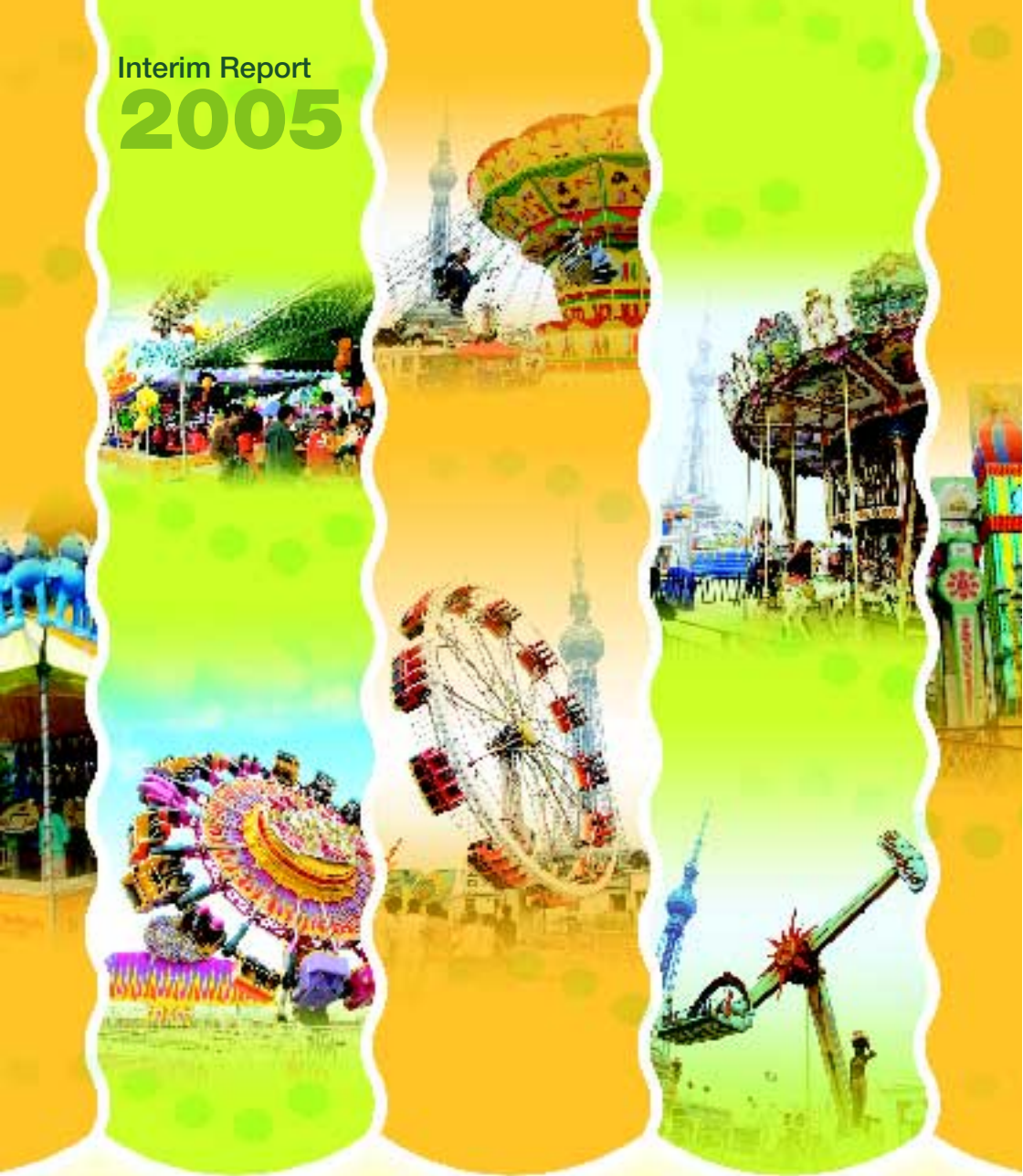


Interim Report  
**2005**



**Inno**vo

Leisure Recreation Holdings Limited  
澤新遊樂控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

\* For identification purposes only

The Board of Directors (the “Directors”) of Innovo Leisure Recreation Holdings Limited (the “Company”) is to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2005 (the “Period”) together with the unaudited comparative figures for the corresponding period in 2004.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2005 (2004: Nil).

## **FINANCIAL REVIEW**

For the six months ended 30th June, 2005, the turnover of the Group was approximately HK\$8.4 million while there was no turnover recorded in the same period last year. Turnover of the Group was derived by the carnival business held in Foshan, the PRC. The loss attributable to shareholders of the Group for the six months ended 30th June, 2005 was HK\$29.0 million increased by 10.6 times as compared to the same period last year of HK\$2.5 million. The increase in loss was mainly attributable to the increase in operating expenses during the Period.

## **OPERATION REVIEW**

The Group’s principle activity is in the carnival and amusement park business.

The Group operated a moving carnival amusement in Foshan, the PRC for 94 days for the period from 9th February, 2005 to 15th May, 2005. The performance of the Foshan carnival has improved and achieved a better result than the Dalian Carnival. The Group will continue to leverage on the experience gained through operating these carnivals which would enhance the efficiency of the management of the Group in operating future itinerant carnivals in the PRC.

### **Admission fee**

During the six months ended 30th June, 2005, the total income from admission fee was HK\$376,000 with over 250,000 visitors, of which over 170,000 were individual visitors and 80,000 were group visitors. The number of visitors in Foshan carnival increased by 78% compared to those of the Dalian carnival.



#### Mechanical rides and redemption games

During the six months ended 30th June, 2005, the total income from mechanical rides and redemption games was HK\$7.9 million.

#### Sales of food, beverages and souvenirs

During the six months ended 30th June, 2005, the total sales of food, beverages and souvenirs was HK\$0.6 million.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30th June, 2005, the Group had net current assets of HK\$41.5 million (As at 31st December, 2004: HK\$35.8 million). As at 30th June, 2005, the Group's bank overdrafts and cash and bank balances amounted to HK\$201,000 (As at 31st December, 2004: HK\$4.7 million).

The Group has interest-bearing loans of HK\$27.9 million as at 30th June, 2005 (As at 31st December, 2004: HK\$18.1 million). The interest-bearing loans comprised of a shareholder's loan of HK\$6.9 million which was unsecured, interest bearing at the range from 3% to 8% per annum and without fixed repayment terms and the balance of HK\$21.0 million represented a director's loan which was unsecured, interest bearing at 3% per annum and without fixed repayment terms. The Group's borrowings were made in Hong Kong dollar.

As at 30th June, 2005, the Group had bank loans of approximately HK\$55.2 million (As at 31st December, 2004: HK\$47.6 million). Bank loans were interest bearing at the range from 5.75% to 6.5% per annum and were repayable from November 2004 by instalments. The Chairman and managing Director, Mr. Chan Chak Mo, has provided personal guarantee and the controlling shareholder, Puregain Assets Limited, has pledged its Company's shares, to secure the bank loans. Under the share mortgage, it is an event of default if Puregain Assets Limited ceases to own at least 51% of the issued share capital of the Company without first obtaining Seng Heng Bank's consent and in which event Seng Heng Bank may exercise its power under the share mortgage to sell or dispose of all or any part of the pledged shares.

In addition, Mr. Chan Chak Mo and Puregain Assets Limited, the controlling shareholder, have provided financial support to the Group to enable it to meet in full its financial obligations.



## **MATERIAL LITIGATION**

During the Period, the Group successfully opposed a winding-up petition filed by an individual, an independent third party with a number of supporting creditors including the ex-director of the Company.

As at 30th June, 2005, the Group had not involved in any material litigation or arbitration.

## **CHARGES ON GROUP ASSETS**

As at 30th June, 2005, the Group did not have any charges on assets (As at 31st December, 2004: Nil).

## **CONTINGENT LIABILITIES**

As at 30th June, 2005, the Group did not have any contingent liabilities (As at 31st December, 2004: HK\$6.5 million).

## **CURRENCY EXPOSURE**

As at 30th June, 2005, the Group did not have any outstanding hedging instrument. The Group should continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

## **EMPLOYEES**

As at 30th June, 2005, the Group employed a total of 38 full time staff in Hong Kong and China. During the carnival period, the Group employed over 400 temporary staff in China. The remuneration policies are reviewed on a periodical basis by the current management.



## OUTLOOK

The Group has started another carnival in Guangzhou from 29th July, 2005 until 5th January, 2006. The management considered that the performance of Guangzhou carnival should improve due to the experience gained through the last two carnivals.

The negotiation for management and revitalization development of an amusement park in Guangzhou (the “Guangzhou Amusement Park”) between the Group and the owner of Guangzhou Amusement Park (the “Owner”) are in good progress. The revitalization development will comprise three new phases of Guangzhou Amusement Park and a redecoration of the existing facilities of this amusement park. Additional 30 new facilities will be acquired and set up in the three development phases of Guangzhou Amusement Park. The phase one of Guangzhou Amusement Park is aimed to complete by mid 2006. The Group has submitted the new layout plan of such revitalization development to the Owner which has been preliminarily approved by the Owner. The Group’s lawyers are preparing the relevant agreements and related documents of the co-operation. The initial terms of co-operation are for about 15 years with an option for 10 years extension. The Group will bear all income and expenditure and operations of Guangzhou Amusement Park and will pay a monthly rental and some percentage of turnover sharing to the Owner. The management believes that the Group is well-positioned to realise the potential of this amusement park. The proposed further development of this amusement park would strengthen the revenue stream and visitors flow derived from it within the next two years.

The Group has entered into an Agreement with an independent third party to establish and operate an amusement park at Taishan (the “Taishan Amusement Park”), the PRC for 10 years. The Group would provide sufficient rides and equipment in Taishan Amusement Park. A layout plan is being prepared by the management.

Gaining from the experience in its earlier carnival operations, the Group has established a good reputation in the market and the Board will work to continue the growth momentum of the business in the future.



## DIRECTORS' INTERESTS AND LONG/SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

At 30th June, 2005, the interests and long/short positions of the Directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Hong Kong Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

### Long position

Ordinary shares of HK\$0.01 each of the Company

| Name of director        | Capacity                           | Number of ordinary shares held | Percentage of issued share capital of the Company |
|-------------------------|------------------------------------|--------------------------------|---|
| Mr. Chan Chak Mo        | Beneficial owner ( <i>Note a</i> ) | 373,962,000                    | 62.33%  |
| Mr. Yu Kam Yuen Lincoln | Beneficial owner                   | 2,802,000                      | 0.47%   |

*Note a:* These shares, representing approximately 62.33% of the issued share capital of the Company, of which 51.33% are held by Puregain Assets Limited, a company beneficially wholly-owned by Mr. Chan Chak Mo and balance of 11.0% are held by Cash Smart Enterprises Limited, a company beneficially owned by Madam Leong On Kei, Angela and Mr. Chan Chak Mo.

Save as disclosed herein, none of the Directors nor their associates had any interests or long/short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2005.



## SHARE OPTIONS

Pursuant to the share option scheme adopted by the Company on 13th June, 2002, the Company may grant options to the directors, non-executive directors, suppliers of goods and services, customers, advisors and consultants, shareholders of the Company or any of its subsidiaries for the primary purpose of providing incentives to them, to subscribe for shares in the Company with the payment of HK\$1 per offer. The total number of shares in respect of which options may be granted shall not exceed 30% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year shall not exceed 1% of the issued share capital of the Company. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's issued share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders. The exercise price of the share option will be determined at the higher of the average of closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options; the closing price of the shares on the Stock Exchange on the date of grant; and the nominal value of the shares. The share options are exercisable for a period not later than 10 years from the date of grant.

No share options were granted since adoption of the scheme.



## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests and long/short positions in the issued share capital of the Company.

### Long positions

Ordinary shares of HK\$0.01 each of the Company

| Name of shareholder            | Capacity                           | Number of ordinary shares held | Percentage of issued share capital of the Company |
|--------------------------------|------------------------------------|--------------------------------|---|
| Cash Smart Enterprises Limited | Beneficial owner ( <i>Note a</i> ) | 66,000,000                     | 11%   |
| Mr. Au Kai Kwong               | Beneficial owner                   | 51,000,000                     | 8.5%  |
| Global Trend Holdings Limited  | Beneficial owner ( <i>Note b</i> ) | 38,340,000                     | 6.39%   |

#### Notes:

- (a) Cash Smart Enterprises Limited, a company incorporated in the British Virgin Islands, is beneficially owned by Madam Leong On Kei, Angela and Mr. Chan Chak Mo. It has taken legal proceedings to require Mr. Li Tat Ting, a former shareholder, to buy all its 11% equity interest in the Company under a deed of put option dated 31st July, 2002 at a total price of HK\$36.4 million. As the judgment has been obtained from the court that Mr. Li Tat Ting required to compensate the loss to Cash Smart Enterprises Limited, therefore the put option is lapsed.
- (b) Global Trend Holdings Limited, a company incorporated in the British Virgin Islands, is wholly owned by Mr. Tsang Chi Wai, Eric, a former director of the Company.

Save as disclosed above, the Company has not been notified of any other relevant interests or long/short positions in the issued share capital of the Company as at 30th June, 2005.





## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30th June, 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The audit committee of the Company comprised, Mr. Cheung Hon Kit, Mr. Chui Sai Cheong and Mr. Chan Shek Wah, the Independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and the unaudited interim financial statements for the Period. The interim results for the Period have been reviewed by Deloitte Touche Tohmatsu, whose independent review report is included in this report.

## **CORPORATE GOVERNANCE**

The Directors are able to conform that the Company complied with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the six months ended 30th June, 2005 except to the code provision A.2.1 of the Code that, the roles of chairman and chief executive officer should be separate and should not performed by the same individual.

Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Chan Chak Mo acting as both the Chairman and the Managing Director of the Group is acceptable. In the meantime, the Company will look for a suitable candidate to be the Chairman.

## **THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the Directors, none of the Directors has not complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transaction for the six months ended 30th June, 2005.



## RESUMPTION PROPOSAL

Trading in the Company's shares has been suspended on the Main Board of the Stock Exchange since 15th December, 2003 at the request of the Company. An application for resumption of trading has been made to the Stock Exchange.

On behalf of the Board

**Chan Chak Mo**

*Chairman and Managing Director*

Hong Kong, 21st September, 2005

*As at the date hereof, the members of the Board comprise (i) Mr. Chan Chak Mo, the Chairman and managing Director, (ii) Ms. Leong In lan, Mr. Tong Ka Wai, Mr. Lim Kam Hung and Mr. Ho U Un, the executive Directors and (iii) Mr. Cheung Hon Kit, Mr. Chui Sai Cheong, Mr. Yu Kam Yuen, Lincoln and Mr. Chan Shek Wah, the independent non-executive Directors.*



# Deloitte.

## 德勤

### INDEPENDENT REVIEW REPORT

TO THE DIRECTORS OF INNOVO LEISURE RECREATION HOLDINGS LIMITED  
*(incorporated in Bermuda with limited liability)*

#### **Introduction**

We have been instructed by Innovo Leisure Recreation Holdings Limited (the “Company”) to review the interim financial report set out on pages 13 to 22.

#### **Respective responsibilities of directors and auditors**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Review work performed**

We conducted our review in accordance with Statement of Auditing Standard 700 “Engagements to review interim financial reports” issued by the Hong Kong Institute of Certified Public Accountants except that the scope of our review was limited as explained below. A review consists principally of making enquiries of Group’s management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.



The scope of our review was limited as follows. The interim financial report has been prepared on a going concern basis on the basis that a controlling shareholder has agreed to provide adequate financial support to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future. Although the Company has received a letter of support from the controlling shareholder evidencing commitment in this respect, we are unable to obtain sufficient evidence to satisfy ourselves as to the financial resources of the controlling shareholder and so as to his ability to provide financial support to the Group. If the financial support from the controlling shareholder is not forthcoming and the Group is unable to obtain sufficient other sources of financing, the Group may cease to operate and the going concern basis would then be inappropriate. In these circumstances, adjustments might be required to reduce the value of assets to their recoverable amount and to provide for any further liabilities might arise.

#### **Fundamental uncertainty relating to certain receivables**

In arriving at our review conclusion, we have considered the adequacy of the disclosure in notes 8 and 9 to the interim financial report which explains that included in the balance sheet of the Group at 30th June, 2005 are amounts of HK\$29,323,000 and HK\$38,682,000 due from a trade debtor and a former director respectively. The Group has filed claims against the trade debtor and the former director in the Hong Kong High Court to recover the amounts. Since the claims are still pending for hearing, the directors consider they are unable to determine the final outcome of the claims at this preliminary stage. Accordingly, no allowance in respect of either of these amounts has been made in the financial statements. We consider this fundamental uncertainty has been adequately disclosed in the interim financial report and our review conclusion is not modified on this respect.

#### **Inability to reach a review conclusion**

Because of the significance of the limitation in the scope of our work related to the going concern basis, we are unable to reach a review conclusion as to whether material modifications should be made to the interim financial report for the six months ended 30th June, 2005.



Without modifying our review conclusion, we draw to your attention that the comparative income statements for the six months ended 30th June, 2004 is misstated as a result of the following matter. A former subsidiary 番禺飛圖夢幻影城有限公司 (Panyu Fantasy Film City Limited) (“PFFCL”), which is under the control of a local court in Mainland China, was de-consolidated in the financial statements of the Group for the year ended 31st December, 2003. However, this accounting treatment was not in accordance with Statement of Standard Accounting Practice No. 32 “Consolidated financial statements and accounting for investments in subsidiaries” issued by the Hong Kong Institute of Certified Public Accountants because as at 31st December, 2003, in our opinion, the Group retained the ability, by virtue of its equity interest in PFFCL, to exercise effective control. Accordingly, in our opinion, the results, cash flows and changes in equity of PFFCL should have been consolidated throughout the period up to May 2004 and any loss on de-consolidation recognised. In the absence, however, of the financial statements of PFFCL for the six months ended 30th June, 2004, it would not be practicable for us to determine the effect on the interim financial report of the failure to properly account for PFFCL for that period.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

21st September, 2005



## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

|                               | <b>1.1.2005<br/>to<br/>30.6.2005<br/>(Unaudited)<br/>HK\$'000</b> | 1.1.2004<br>to<br>30.6.2004<br>(Unaudited)<br>HK\$'000 |
|-------------------------------|---|--|
|                               | <i>NOTE</i>   |  |
| Turnover                      | <b>8,379</b>  | –  |
| Other operating income        | <b>56</b>   | 252  |
| Depreciation and amortisation | <b>(1,734)</b>  | (17)   |
| Staff costs                   | <b>(8,703)</b>  | (673)  |
| Other operating expenses      | <b>(23,658)</b>   | (2,087)  |
| Finance costs                 | <b>(3,363)</b>  | –  |
| Net loss for the period       | <b>(29,023)</b>   | (2,525)  |
| Loss per share                |   |  |
| – Basic                       | <b>(4.84) cents</b>   | (0.42) cents   |



## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2005

|                                       | NOTES | 30.6.2005<br>(Unaudited)<br>HK\$'000 | 31.12.2004<br>(Audited)<br>HK\$'000 |
|---------------------------------------|-------|--------------------------------------|-------------------------------------|
| Non-current assets                    |       |                                      |                                     |
| Property, plant and equipment         | 7     | <b>21,519</b>                        | 21,930                              |
| Current assets                        |       |                                      |                                     |
| Inventories                           |       | <b>6,239</b>                         | 5,293                               |
| Trade and other receivables           | 8     | <b>33,826</b>                        | 35,702                              |
| Amount due from a former director     | 9     | <b>38,682</b>                        | 38,682                              |
| Bank balances and cash                |       | <b>1,785</b>                         | 4,725                               |
|                                       |       | <b>80,532</b>                        | 84,402                              |
| Current liabilities                   |       |                                      |                                     |
| Other payables                        |       | <b>20,448</b>                        | 25,751                              |
| Advance from a former shareholder     |       | –                                    | 10,698                              |
| Amount due to a director              |       | <b>2,000</b>                         | 2,000                               |
| Amount due to a shareholder           |       | <b>2,200</b>                         | –                                   |
| Taxation                              |       | <b>1,500</b>                         | 1,500                               |
| Bank loans due within one year        | 10    | <b>11,336</b>                        | 8,654                               |
| Bank overdrafts                       |       | <b>1,584</b>                         | –                                   |
|                                       |       | <b>39,068</b>                        | 48,603                              |
| Net current assets                    |       | <b>41,464</b>                        | 35,799                              |
| Total assets less current liabilities |       | <b>62,983</b>                        | 57,729                              |



|  | <i>NOTES</i> | <b>30.6.2005</b><br><b>(Unaudited)</b><br><b>HK\$'000</b> | 31.12.2004<br>(Audited)<br>HK\$'000 |
|--|--------------|---|-------------------------------------|
| Non-current liabilities                |              |   |                                     |
| Amount due to ultimate holding company |              | <b>6,949</b>  | 6,949                               |
| Advance from a director                |              | <b>54,137</b>   | 27,453                              |
| Bank loans due after one year          | 10           | <b>43,827</b>   | 38,962                              |
|  |              | <b>104,913</b>  | 73,364                              |
| Net liabilities                        |              | <b>(41,930)</b>   | (15,635)                            |
| Capital and reserves                   |              |   |                                     |
| Share capital                          |              | <b>6,000</b>  | 6,000                               |
| Reserves                               |              | <b>(47,930)</b>   | (21,635)                            |
| Total equity                           |              | <b>(41,930)</b>   | (15,635)                            |

The interim financial report on pages 13 to 22 were approved and authorised for issue by the Board of Directors on 21st September, 2005 and are signed on its behalf by:

**Chan Chak Mo**  
*DIRECTOR*

**Tong Ka Wai**  
*DIRECTOR*





## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

|   | Share<br>capital<br><i>HK\$'000</i> | Share<br>premium<br><i>HK\$'000</i> | Special<br>reserve<br><i>HK\$'000</i><br><i>(note 1)</i> | Other<br>reserve<br><i>HK\$'000</i><br><i>(note 2)</i> | Deficit<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|-------------------------------------|-------------------------------------|--|--|----------------------------|--------------------------|
| At 1st January, 2005                          |                                     |                                     |  |  |                            |                          |
| – as previously reported                      | 6,000                               | 18,197                              | 34,800   | –  | (74,632)                   | (15,635)                 |
| – effect of changes in<br>accounting policies | –                                   | –                                   | –  | 1,298  | –                          | 1,298                    |
| – as restated                                 | 6,000                               | 18,197                              | 34,800   | 1,298  | (74,632)                   | (14,337)                 |
| Additions                                     | –                                   | –                                   | –  | 1,430  | –                          | 1,430                    |
| Net loss for the period                       | –                                   | –                                   | –  | –  | (29,023)                   | (29,023)                 |
| At 30th June, 2005                            | <u>6,000</u>                        | <u>18,197</u>                       | <u>34,800</u>  | <u>2,728</u>   | <u>(103,655)</u>           | <u>(41,930)</u>          |
| At 1st January, 2004                          | 6,000                               | 18,197                              | 34,800   | –  | (27,465)                   | 31,532                   |
| Net loss for the period                       | –                                   | –                                   | –  | –  | (2,525)                    | (2,525)                  |
| At 30th June, 2004                            | <u>6,000</u>                        | <u>18,197</u>                       | <u>34,800</u>  | <u>–</u>   | <u>(29,990)</u>            | <u>29,007</u>            |

### Notes:

1. The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the share capital and share premium of subsidiaries acquired pursuant to a group reorganisation in the preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 2002.
2. The other reserve of the Group represents contribution from a shareholder, who is also a director, of the Company resulting from a shareholder's loan charged at below market rate.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

|   | <b>1.1.2005<br/>to<br/>30.6.2005<br/>(Unaudited)<br/>HK\$'000</b> | 1.1.2004<br>to<br>30.6.2004<br>(Unaudited)<br>HK\$'000 |
|---|---|--|
| Net cash used in operating activities                 | <b>(28,299)</b>   | (6,668)  |
| Net cash used in investing activities                 | <b>(1,323)</b>  | (187)  |
| Net cash from financing activities                    | <b>25,098</b>   | 7,241  |
|   | <hr/>   | <hr/>  |
| (Decrease) increase in cash and cash equivalents      | <b>(4,524)</b>  | 386  |
| Cash and cash equivalents at 1st January              | <b>4,725</b>  | –  |
|   | <hr/>   | <hr/>  |
| Cash and cash equivalents at 30th June                | <b>201</b>  | 386  |
|   | <hr/>   | <hr/>  |
| Analysis of the balances of cash and cash equivalents |   |  |
| Bank balances and cash                                | <b>1,785</b>  | 386  |
| Bank overdrafts                                       | <b>(1,584)</b>  | –  |
|   | <hr/>   | <hr/>  |
|   | <b>201</b>  | 386  |
|   | <hr/>   | <hr/>  |



## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2005*

### **1. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

In preparing the financial statements, the directors have given consideration to the liquidity position of the Group in light of its net liabilities of HK\$41,930,000 as at 30th June, 2005. The condensed financial statements have been prepared on a going concern basis on the basis that a controlling shareholder has agreed to provide adequate financial support to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. At the same time, however, the Group is actively seeking other sources of financing.

### **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.



## 2. PRINCIPAL ACCOUNTING POLICIES – *continued*

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31st December, 2004 except as described below:

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS"s), HKAS and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas:

### **Financial instruments**

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKSA 32 has had no material effect on the presentation of financial instrument in the financial statements of the Group. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

### **Financial assets and financial liabilities other than debt and equity securities**

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities") in accordance with the requirements of HKAS 39. They are classified under the appropriate classification of HKAS 39. Financial liabilities other than financial liabilities at fair value through profit or loss are measured at amortised cost using the effective interest method. An adjustment to the previous carrying amount of liabilities of HK\$1,298,000 on 1st January, 2005 has been made to the Group's deficit.



## 2. PRINCIPAL ACCOUNTING POLICIES – *continued*

### Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described above on the results for the current and prior period are as follows:

|   | <b>1.1.2005<br/>to<br/>30.6.2005<br/>HK\$'000</b> | 1.1.2004<br>to<br>30.6.2004<br>HK\$'000 |
|---|---|---|
| Imputed interest expense on advance from a director | <b>680</b>  | –                                       |

The cumulative effects of the application of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 are summarised below:

|                         | 31.12.2004<br>HK\$'000<br>(originally stated) | Adjustment<br>HK\$'000 | 1.1.2005<br>HK\$'000<br>(restated) |
|-------------------------|---|------------------------|------------------------------------|
| Advance from a director | <u>27,453</u>                                 | <u>(1,298)</u>         | <u>26,155</u>                      |
| Other reserve           | <u>–</u>                                      | <u>1,298</u>           | <u>1,298</u>                       |

At the date of authorisation of these condensed financial statements, the following new and revised HKAS, HKFRSs and Interpretations issued by Hong Kong (International) Financial Reporting Interpretations Committee) (“HKFRS – Int”s) were in issue but not yet effective:

|                     |  |
|---------------------|--|
| HKAS 19 (Amendment) | Actuarial Gains and Losses, Group Plans and Disclosures  |
| HKAS 39 (Amendment) | Cash Flow Hedge Accounting of Forecast Intragroup Transactions                                       |
| HKAS 39 (Amendment) | The Fair Value Option  |
| HKFRS 6             | Exploration for and Evaluation of Mineral Resources  |
| HKFRS – Int 4       | Determining whether an Arrangement contains a Lease  |
| HKFRS – Int 5       | Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |

The directors anticipate that the adoption of these new HKASs, HKFRSs and HKFRS – Ints in future periods will have no material impact on the financial statements of the Group.



### 3. SEGMENT INFORMATION

The Company's operation is regarded as a single segment, being an enterprise engaged in the operation of carnivals.

Geographical analysis of the Group's turnover and results has not been presented as they are substantially generated from Mainland China (the "PRC").

### 4. TAXATION

No provision for taxation has been made as the Group had no assessable profit for the period.

### 5. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2005.

### 6. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30th June, 2005 is based on the net loss for the period of HK\$29,023,000 (1.1.2004 to 30.6.2004: HK\$2,525,000) attributable to equity holders of the Company and on the 600,000,000 shares in issue during the period.

No diluted loss per share has been presented as there were no potential dilutive shares for the period.

### 7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2005, the Group incurred approximately HK\$1,323,000 (1.1.2004 to 30.6.2004: HK\$187,000) on acquisition of property, plant and equipment.



## 8. TRADE AND OTHER RECEIVABLES

The following is an aged analysis of trade receivables at the balance sheet date:

|  | <b>30.6.2005</b> | 31.12.2004 |
|--|------------------|------------|
|  | <b>HK\$'000</b>  | HK\$'000   |
| Trade receivables – aged over 365 days | <b>29,323</b>    | 29,323     |
| Other receivables                      | <b>4,503</b>     | 6,379      |
|  | <hr/>            | <hr/>      |
|  | <b>33,826</b>    | 35,702     |
|  | <hr/>            | <hr/>      |

In June 2004, the Group filed claims to the Hong Kong High Court against a trade debtor for the sales of theme park tickets of HK\$29,323,000. In the opinion of the directors, since the claim is still pending for court hearing, it is unable to determine the final outcome of the claims at such preliminary stage. Accordingly, no allowance in respect of this balance has been made in the financial statements.

## 9. AMOUNT DUE FROM A FORMER DIRECTOR

The amount is unsecured, interest-free and has no fixed repayment terms.

In July 2004, the Group filed claims to the Hong Kong High Court against a former director Mr. Li Tat Ting for an amount of HK\$38,682,000. In the opinion of the directors, since the claims are still pending for court hearing, it is unable to determine the final outcome of the claims at such preliminary stage. Accordingly, no allowance of this amount has been made in the financial statements.

## 10. BANK LOANS

During the six months ended 30th June, 2005, the Group repaid bank loans totally HK\$4,751,000 (1.1.2004 to 30.6.2004: nil) and obtained new bank loans totally HK\$12,298,000 (1.1.2004 to 30.6.2004: nil). The loans bear interest at market rates and are repayable over a period of four years.